

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Southwestern Oakland Cable Commission</u>	County Oakland
Audit Date June 30, 2004	Opinion Date October 26, 2004	Date Accountant Report Submitted To State: November 23, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

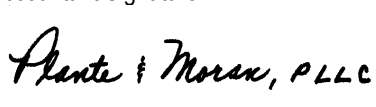
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State Michigan	Zip 48034
Accountant Signature 			

Southwestern Oakland Cable Commission

Financial Report with Supplemental Information June 30, 2004

Southwestern Oakland Cable Commission

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Independent Auditor's Report

To the Members
Southwestern Oakland Cable Commission

We have audited the accompanying basic financial statements of Southwestern Oakland Cable Commission as of June 30, 2004 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of Southwestern Oakland Cable Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Oakland Cable Commission as of June 30, 2004 and the results of its operations for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplemental information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Southwestern Oakland Cable Commission. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

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To the Members
Southwestern Oakland Cable Commission

As described in Note I, the Commission has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34. As a result, these financial statements present entirely new financial information, including both the modified and full accrual basis of accounting.

Plante & Moran, PLLC

October 26, 2004

Southwestern Oakland Cable Commission

Governmental Fund Balance Sheet/Statement of Net Assets June 30, 2004

	General Fund- Modified Accrual Basis	Adjustments (Note 7)	Statement of Net Assets - Full Accrual Basis
Assets			
Cash and cash equivalents (Note 2)	\$ 184,953	\$ -	\$ 184,953
Accounts receivable	218,657	-	218,657
Prepaid expenses	3,657	-	3,657
Land, building, and equipment - Net (Note 3)	-	2,512,947	2,512,947
Total assets	\$ 407,267	2,512,947	2,920,214
Liabilities			
Accounts payable	\$ 26,168	-	26,168
Due to other governmental units	13,079	-	13,079
Long-term debt (Note 4):			
Due within one year	-	103,160	103,160
Due in more than one year	-	1,922,901	1,922,901
Compensated absences (Note 4):			
Due within one year	-	19,535	19,535
Due in more than one year	-	15,233	15,233
Total liabilities	39,247	2,060,829	2,100,076
Fund Balance			
Designated for subsequent year's budget	95,013	(95,013)	-
Unrestricted/Undesignated	273,007	(273,007)	-
Total fund balance	368,020	(368,020)	-
Total liabilities and fund balance	\$ 407,267		
Net Assets			
Invested in capital assets		486,886	486,886
Unrestricted		333,252	333,252
Total net assests		\$ 820,138	\$ 820,138

Southwestern Oakland Cable Commission

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Activities Year Ended June 30, 2004

	General Fund - Modified Accrual Basis	Adjustments (Note 7)	Statement of Activities - Full Accrual Basis
Revenue			
Franchise fees	\$ 555,478	\$ -	\$ 555,478
Cable company operating contribution	291,241	-	291,241
Interest income	2,149	-	2,149
Miscellaneous	59,353	-	59,353
Total revenue	908,221	-	908,221
Expenditures			
Salaries	357,738	-	357,738
Fringe benefits	108,537	15,299	123,836
Operating supplies and sundry	91,308	-	91,308
Professional fees, promotion, training, and other	41,049	-	41,049
Debt service:			
Principal	96,360	(96,360)	-
Interest	149,692	-	149,692
Depreciation	-	139,839	139,839
Capital outlay	62,372	(61,811)	561
Total expenditures	907,056	(3,033)	904,023
Excess of Revenue Over Expenditures	1,165	3,033	4,198
Fund Balance/Net Assets - July 1, 2003	366,855	449,085	815,940
Fund Balance/Net Assets - June 30, 2004	<u>\$ 368,020</u>	<u>\$ 452,118</u>	<u>\$ 820,138</u>

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2004

Note I - Significant Accounting Policies

The accounting policies of Southwestern Oakland Cable Commission (the "Commission") conform to accounting principles generally accepted in the United States of America as applicable to governmental units. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in these financial statements. The following is a summary of the significant accounting policies:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement is effective for the fiscal year ended June 30, 2004 and has significantly changed the Commission's financial statements by including full accrual accounting for all of the Commission's activities. These and other changes are reflected in the accompanying financial statements (including notes to financial statements). Certain significant changes in the financial statements include the following:

- Financial statements prepared using full accrual accounting for the Commission as a whole
- Capital assets reported in the statement of net assets would have previously been reported in the General Fixed Assets Account Group.
- Long-term obligations reported in the statement of net assets would have previously been reported in the General Long-term Debt Account Group.

Reporting Entity

The Commission oversees the cable television services provided by a private cable operator to the participating cities of Farmington, Farmington Hills, and Novi. Each community's participating equity interest in the Commission at June 30, 2004 is not determinable. The Commission is comprised of the city manager and an appointed elected official from each of the three cities. Revenue is derived principally from a specific percentage of cable operator television revenue.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Commission's basic financial statements include both the Commission's full accrual financial statements and modified accrual financial statements.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2004

Note I - Significant Accounting Policies (Continued)

Full Accrual Financial Statements

The full accrual financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all receivables and long-term assets. The Authority's net assets are reported in two parts - invested in capital assets and unrestricted net assets.

Modified Accrual Financial Statements

The modified accrual financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Commission considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Capital Assets - Capital assets are defined by the Commission as assets with an initial cost of more than \$500 and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis (no depreciation in year of purchase) over the following estimated useful lives:

Building and improvements	30 years
Equipment	10 years

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2004

Note 2 - Cash and Cash Equivalents

The Commission's cash and cash equivalents at June 30, 2004 are included on the governmental fund balance sheet under the following classifications:

Bank deposits	\$ 24,404
Investments - At fair value	160,299
Petty cash and cash on hand	<u>250</u>
Total cash and cash equivalents	<u>\$ 184,953</u>

Deposits

The above deposits are held in the name of the City of Farmington Hills and are reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at \$16,624. The federal depository insurance coverage pertains to all the deposits of the City of Farmington Hills; hence, the specific coverage pertaining to Southwestern Oakland Cable Commission's deposits, if any, is not determinable.

Investments

The Commission is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances, guaranteed investment contracts, mutual funds, and investment pools that are composed of authorized investment vehicles.

The Commission's investments during the year consisted of bank investment pools. There was \$160,299 invested in bank investment pools at June 30, 2004. Bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. Investments are normally categorized to give an indication of the level of risk assumed by the Commission; however, bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Commission believes that the investments in these funds comply with the investment authority noted above.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2004

Note 3 - Land, Building, and Equipment

A summary of changes in capital assets is as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Land and building	\$ 525,000	\$ -	\$ -	\$ 525,000
Building improvements	1,656,032	-	-	1,656,032
Equipment	640,558	61,811	-	702,369
Total	2,821,590	61,811	-	2,883,401
Accumulated depreciation	(230,615)	(139,839)	-	(370,454)
Net book value	<u>\$ 2,590,975</u>	<u>\$ (78,028)</u>	<u>\$ -</u>	<u>\$ 2,512,947</u>

Note 4 - Long-term Debt

Changes in Long-term Debt

The following is a summary of the long-term debt transactions of the Commission for the year ended June 30, 2004:

	Number of Issues	Balance at July 1, 2003	Additions	Reductions	Balance at June 30, 2004	Due Within One Year
General obligation debt	2	<u>\$2,122,421</u>	<u>\$ -</u>	<u>\$ 96,360</u>	<u>\$2,026,061</u>	<u>\$ 103,160</u>
Accumulated employee benefits	-	<u>\$ 19,469</u>	<u>\$ 15,299</u>	<u>\$ -</u>	<u>\$ 34,768</u>	<u>\$ 19,535</u>

The general obligation debt represents two loans to the Commission from the City of Farmington Hills, Michigan General Fund. The first note bears interest at a rate of 7.00 percent and is due in 14 annual installments of \$59,401, including interest, through February 2016. The second note bears interest at a rate of 7.00 percent and is due in 15 annual installments of \$186,651, including interest, through February 2017. The notes are secured by the Commission's building and certain equipment financed by the notes.

The accumulated employee benefits represent the estimated liability to be paid to employees under the Commission's sick pay policy, net of the portion that is estimated to be paid currently. Under the Commission's policy, employees earn sick time based on time of service with the Commission.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2004

Note 4 - Long-term Debt (Continued)

Debt Service Requirements

The annual requirements to service all debt outstanding as of June 30, 2004 (excluding accumulated employee benefits), including both principal and interest, are as follows:

Years Ending June 30	Principal	Interest	Total
2005	\$ 103,160	\$ 142,892	\$ 246,052
2006	110,440	135,612	246,052
2007	118,234	127,818	246,052
2008	126,578	119,474	246,052
2009	135,511	110,541	246,052
2010-14	835,247	395,010	1,230,257
2005-17	<u>594,891</u>	<u>81,864</u>	<u>676,755</u>
Total	<u>\$ 2,024,061</u>	<u>\$ 1,113,211</u>	<u>\$ 3,137,272</u>

Note 5 - Budget Information

The annual budget is prepared and adopted by Southwestern Oakland Cable Commission members; subsequent amendments are approved by the Commission members. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2004 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

The budget statement (statement of revenue, expenditures, and changes in fund balance - budget and actual - General Fund) is presented in accordance with accounting principles generally accepted in the United States of America, which is the same basis of accounting used in preparing the adopted budget. The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted is included in the required supplemental information.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2004

Note 5 - Budget Information (Continued)

The budget and actual statement includes the following budget overruns:

Line Item	Budget	Actual	Variance
Professional fees, promotion, training, and other	\$ 35,353	\$ 41,049	\$ (5,696)

The unfavorable variance was caused by unanticipated expenditures that became necessary during the year. This variance was offset by favorable variances in other areas.

Note 6 - Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Commission has purchased commercial insurance for workers' compensation and medical benefit claims and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims relating to general liability and property loss claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's state pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Southwestern Oakland Cable Commission

Notes to Financial Statements June 30, 2004

Note 7 - Reconciliation of Modified Accrual Financial Statements to the Full Accrual Financial Statements

Total fund balance and the net change in fund balance of the Commission's General Fund differs from net assets and change in net assets of the Commission's activities reported in the governmental fund balance sheet/statement of net assets and the statement of governmental revenue, expenditures, and changes in fund balance/statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the General Fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total fund balance - Modified accrual basis	\$ 368,020
Amounts reported in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the General Fund	2,512,947
Long-term liabilities are not due and payable in the current period and are not reported in the General Fund:	
Long-term debt	(2,026,061)
Compensated absences	<u>(34,768)</u>
Net assets - Full accrual basis	<u>\$ 820,138</u>
Net change in fund balances - Modified accrual basis	\$ 1,165
Amounts reported in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives through depreciation:	
Capital outlay	61,811
Depreciation	<u>(139,839)</u>
Repayment of bond principal is an expenditure in the General Fund, but not in the statement of activities (where it reduces long-term debt)	96,360
Increases in accumulated employee sick and vacation pay (compensated absences) are recorded when earned in the statement of activities	<u>(15,299)</u>
Change in net assets - Full accrual basis	<u>\$ 4,198</u>

Required Supplemental Information

Southwestern Oakland Cable Commission

Budgetary Comparison Schedule - General Fund Year Ended June 30, 2004

	Budget	Actual	Variance Favorable (Unfavorable)
Revenue			
Franchise fees	\$ 526,670	\$ 555,478	\$ 28,808
Cable company operating contribution	251,445	291,241	39,796
Proceeds from sale of fixed assets	5,000	-	(5,000)
Interest income	4,000	2,149	(1,851)
Miscellaneous	62,755	59,353	(3,402)
Total revenue	849,870	908,221	58,351
Expenditures			
Salaries	368,701	357,738	10,963
Fringe benefits	120,285	108,537	11,748
Operating supplies and sundry	107,374	91,308	16,066
Professional fees, promotion, training, and other	35,353	41,049	(5,696)
Debt service:			
Principal	96,360	96,360	-
Interest	149,691	149,691	-
Capital outlay	189,469	62,373	127,096
Total expenditures	1,067,233	907,056	160,177
Excess of Revenue Over (Under) Expenditures	(217,363)	1,165	218,528
Fund Balance - July 1, 2003	366,855	366,855	-
Fund Balance - June 30, 2004	<u>\$ 149,492</u>	<u>\$ 368,020</u>	<u>\$ 218,528</u>